

# 11 Compliance Review

“The Commission provides the following general compliance review process information to help schools in evaluating their internal operations to determine compliance with the various requirements outlined in this, and other, Cal Grant Manual chapters.”

## 11.1 Compliance Review Purposes and Methods

Compliance reviews are conducted at participating Cal Grant schools. The purposes of a Cal Grant compliance review are:

- ▶ to review and analyze the administration of the Cal Grant program at each participating school, and
- ▶ to provide information and feedback to school staff to assist them in taking corrective action, if necessary.

Through interviews and reviews of records, compliance staff analyzes the adequacy and enforcement of school-established internal controls. These controls help safeguard the operational and fiscal integrity of the Cal Grant program.

### Review Process Helps Schools

Although most of the areas of review are included in this chapter, it is not intended to be all-inclusive or to limit the scope of review. Therefore, the absence of compliance items here does not relieve the school of its obligation to comply with all applicable federal and state laws and regulations, the Institutional Participation Agreement, this Cal Grant Program Manual or any other written procedures and policies issued by the Commission.

### Purposes of a Compliance Review

A compliance review is conducted to:

- ▶ evaluate the school's administration of the Cal Grant program
- ▶ ensure compliance with applicable laws, regulations, Commission policies and procedures, and the Institutional Participation Agreement
- ▶ evaluate the school's controls and procedures

- ▶ document reasons for specific problems identified in the school's routine processing and exceptions monitoring
- ▶ initiate corrective action, including recovery of funds
- ▶ assist in the correction and/or prevention of future problems, and
- ▶ initiate any necessary administrative actions to encourage appropriate use of funds.

### ✓✓ School Selection for Compliance Review

Schools participating in the Commission's Cal Grant program are scheduled for compliance reviews, based upon, but not limited to, the following factors:

- ▶ no prior review
- ▶ timeframe of a date of last review
- ▶ findings noted in a prior review
- ▶ dollar volume and number of recipients of the Cal Grant program at the school
- ▶ non-payment of invoices
- ▶ reconciliation issues
- ▶ referral, such as from other Commission Divisions, or any other state or federal agency, or a pattern of inquiries about the school's financial aid or accounting practices.

### Compliance Review Methods

There are two methods of compliance review:

**On-site Review-** Schools with a large number of Cal Grant recipients are scheduled for an on-site review. On-site reviews typically take three to five days in the field, depending on the size of the school, the sample size, and the number of Commission programs in which the school participates. More time may be required if the scope of the review is expanded.

**Desk Review-** Schools with very few Cal Grant recipients are usually considered for a desk

review. The desk review is similar to the field review, except communication is conducted via telephone, facsimile and electronic mail. A desk review may include a site visit, if deemed necessary by the compliance staff in charge.

## 11.2 Areas of Review

The principal objective of a compliance review is improved overall administration of the Cal Grant programs. The review encompasses the following general areas:

**General Eligibility-** The school's general Cal Grant program administrative capability is reviewed. The school's academic programs are reviewed to determine that they are appropriate for Cal Grant programs in which the institution participates.

**Applicant Eligibility-** The school is responsible for ensuring that only eligible students receive Cal Grant program funds. Individual student eligibility (California resident, U.S. citizen or eligible non-citizen, enrollment status, satisfactory progress, etc.) is reviewed through the examination of a sample of students.

### Fund Disbursement and Refunds

The school is responsible for establishing and complying with disbursement policies and requirements (authorization, payment amount, etc.).

**Completion of Rosters and Reports-** The school is responsible for the accurate completion of and timely submission of data (including reports, rosters and forms) that are used in the administration of the Cal Grant Programs. The school must also resolve and report any discrepancies found between the Commission's data and the institution's records.



### File Maintenance and Record Retention-

Schools must retain all records pertaining to the Cal Grant programs for three years. Records may be stored on paper or in a machine-readable format.

### Fiscal Responsibility for Program Funds -

The Commission's review includes an assessment of the school's internal accounting processes, procedures and controls used in the administration of Cal Grant funds.

## 11.3 Review Process

The review process encompasses:

### School Notification

Schools are contacted to schedule a review date and establish a school contact person. An Engagement Letter will confirm the date, include the name of the compliance staff member who will perform the review, as well as request;

- ▶ policy and procedural material,
- ▶ student records, and
- ▶ other information required for the review.

The Commission reserves the right to perform unannounced program reviews when deemed necessary.

### Sample Size Determination

- ▶ A sample size of 40 students is developed for schools with 100 or more program recipients
- ▶ A sample size of 15 students is developed for schools with 16 to 99 program recipients
- ▶ For a school with 15 or fewer recipients, all students are examined



### Review Preparation

**Engagement Letter-** The Engagement Letter will request certain written material from the school prior to the on-site review. The information submitted by the school is reviewed by the compliance staff to become familiar with the school's operations in preparation for the on-site review.

### On-Site Review

The on-site review includes the following:

**Entrance Interview-** The on-site review begins with an entrance interview. The Commission compliance staff conducts an entrance interview with school staff that describes the Cal Grant program administration compliance review

process. Compliance staff also collects additional information on school policies and procedures to be used in conducting the review.



**Document the Review-** Compliance staff reviews a sample of student records and other relevant information. The school must be prepared to give access to any paper or electronically stored institutional records. Interviews with various school staff from the different offices may be necessary to clarify or resolve any questions. During this phase of the review, the compliance staff analyzes the records and compiles review findings.

Documents compliance staff examines include:

- ▶ Academic records
- ▶ Attendance records
- ▶ Canceled checks (access and books & supplies)
- ▶ Citizen or eligible non-citizen documentation
- ▶ Class schedules and catalogues
- ▶ Disbursement policy and disbursement schedules
- ▶ Enrollment records
- ▶ Financial aid records, including need analysis documentation, ISIRs, budgets, award letters, renewal need calculations, etc.
- ▶ General ledgers and other accounting records that support Cal Grant fund transactions (e.g., Accounts Receivable reports, bank statements, etc.)
- ▶ Grant Roster transactions, Education Level Verification reports, and any other Commission reports that contain information the school reported to the Commission
- ▶ Individual student files
- ▶ Institutional refund policies
- ▶ Satisfactory academic progress documentation
- ▶ Student access and book & supplies authorizations
- ▶ Student account records
- ▶ Verification documentation
- ▶ Written policies and procedures describing the school's administration of the Cal Grant program, and

- ▶ Any other files the compliance staff deems necessary to conduct the review.

**School Offices Contacted-** the following school offices will be contacted during the compliance review:

- ▶ Financial Aid
- ▶ Admissions
- ▶ Registrar
- ▶ Accounting, and
- ▶ Additional offices and staff as necessary.

## Written Pre-Exit Document

Compliance staff provides a written "pre-exit" document that lists questions, comments and draft non-compliance issues to the school contact. The school contact person will have an opportunity to provide a written explanation and any necessary supporting documentation prior to the exit interview.

**Exit Interview-** Compliance staff conducts an exit interview with school staff to discuss findings, recommend corrective actions, and convey potential liabilities. The school is also given a preliminary timeframe for receipt of the Commission's draft report.



## Compliance Report

**Draft Report-** The Commission issues a written draft report after the compliance review is completed. The report summarizes the compliance staff's examination of records and procedures, and identifies specific findings, required actions, and recommendations. The school must respond to the report by:

- ▶ indicating the corrective actions taken,
- ▶ submitting payments,
- ▶ providing a clarifying response to any particular findings, and
- ▶ providing updated policies and procedures

**Recovery of Liabilities-** The Commission may assess liabilities against the school due to errors or omissions resulting from the disbursement of Cal Grant funds to students

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who do not meet program requirements or specific conditions of eligibility. The school is required to pay any school liability determined as a result of the program compliance review as detailed in the General Payment Instruction **section of Chapter???**

**Final Report-** Once the school has responded satisfactorily to all the draft report findings, and any liabilities have been paid, the Commission issues a final report to the school, closing the review.

### **!! Administrative Actions**

Non-compliance with any of the provisions of the Institutional Participation Agreement and the requirements set forth in the Cal Grant Program Manual may result in the termination of the Institutional Participation Agreement and privileges that are afforded under it.